

## Message Text

CONFIDENTIAL

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ORIGIN EA-09

INFO OCT-01 ISO-00 PM-05 DODE-00 TRSE-00 ACDA-07 AID-05  
EB-08 IGA-02 CIAE-00 INR-07 NSAE-00 L-03 MC-02  
OMB-01 SS-15 /065 R

DRAFTED BY EA/TIMBS:REFRITTS:PM/SAS:JNOTARGIACOMO:LGR  
APPROVED BY PM/SAS - HMCCELROY  
DOD - MR. JAMESON  
TREASURY - MR. CROSSWHITE

-----045907 160137Z /70

P 152221Z AUG 77  
FM SECSTATE WASHDC  
TO AMEMBASSY JAKARTA PRIORITY

C O N F I D E N T I A L STATE 193264

E.O. 11652: GDS

TAGS: MASS, ID

SUBJECT: FMS FINANCING FOR INDONESIA

REF: A. JAKARTA 8587; B. JAKARTA 9198; C. STATE 169536.

1. YOU MAY INFORM GOI AT APPROPRIATE HIGH LEVEL THAT FY-77 FMS FINANCING TERMS WILL BE IMPROVED TO A NINE-YEAR REPAYMENT TERM INCLUDING TWO YEARS GRACE. DECISION REACHED IN KEEPING WITH OUR LONG AND MUTUALLY BENEFICIAL SECURITY RELATIONSHIP, OUR CONTINUING INTEREST IN INDONESIA AND REGIONAL STABILITY, AND THE REQUIREMENT FOR GOI TO SELECTIVELY MODERNIZE ITS ARMS FORCES WITH NEW DEFENSIVE EQUIPMENT. IF APPROPRIATE, YOU MIGHT WISH AT YOUR DISCRETION TO EXPRESS APPRECIATION FOR PRESIDENT SUHARTO'S EXTENSION OF DEADLINE FOR INDONESIAN DECISION ON AIRCRAFT PURCHASES.

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2. CREDIT JUSTIFICATION. THE CREDIT JUSTIFICATION WHICH IS ALMOST COMPLETED IS BEING PREPARED INDICATING USE OF FY-77 23.1 MILLION DOLLARS LOAN FOR FIRST INCREMENT FUNDING OF F5E/F (20.6 MILLION DOLLARS) AND T-34C (2.5 MILLION DOLLARS) AIRCRAFT, WITH STANDARD CAVEAT THAT THE USG DOES NOT REPEAT NOT PROVIDE MULTI-YEAR COMMITMENTS FOR FMS FINANCING. THE TERMS OF REPAYMENT REQUIRE 15 CONSECUTIVE SEMI-ANNUAL

PAYMENTS OF 1,540,000 DOLS EACH COMMENCING 24 MONTHS AFTER SIGNATURE OF THE LOAN. THE GOI IS ALSO REQUIRED TO PAY A GUARANTY FEE OF 57,750 DOLS FROM ITS OWN RESOURCES. CREDIT AGREEMENT MUST BE SIGNED PRIOR SEPT 30 TO AVOID LOSS OF FUNDING.

3. LOA. THE LOA FOR THE F5S IS UNDER PREPARATION AND WE ANTICIPATE RECEIVING DOD'S REQUEST FOR DEPARTMENT OF STATE CLEARANCE WITHIN THE NEXT FEW DAYS. AS EMB AWARE, THE CASE WILL REQUIRE CONGRESSIONAL NOTIFICATION UNDER SECTION 36(B) OF THE AEC ACT AND THEREFORE REQUIRES PRESIDENTIAL REVIEW PRIOR TO TRANSMISSION TO THE HILL.

4. WE WILL KEEP YOU ADVISED ON STATUS THESE REQUIREMENTS AS THEY MOVE TOWARD COMPLETION. VANCE

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MILITARY ASSISTANCE PROGRAMS, DEBT REPAYMENTS  
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**Copy:** SINGLE  
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**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** REFRTTS:PM/SAS:JNOTARGIACOMO:LGR  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
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**Previous Handling Restrictions:** n/a  
**Reference:** 77 JAKARTA 8587, 77 JAKARTA 9198, 77 STATE 169536  
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**TAGS:** MASS, ID  
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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009